

Message Text

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15

ORIGIN NEA-12

INFO OCT-01 ISO-00 COME-00 FEA-02 L-03 SPC-03 EB-11 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 INR-10 NSAE-00 /083 R

DRAFTED BY NEA/EGY:MSTERNER:CEK

APPROVED BY NEA/EGY - MR STERNER

EB - (INFO)

----- 111266

R 151747Z MAR 74

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

C O N F I D E N T I A L STATE 052208

E.O. 11652: GDS

TAGS: PFOR, ETRD, ENRG, EB, XF

SUBJECT: BECHTEL-SUMED NEGOTIATIONS

REFERENCE: CAIRO 1178; KUWAIT 880; CAIRO 1023.

1. EGYPT DIRECTOR STERNER SUCCEEDED IN REACHING HART BY TELEPHONE IN SAN FRANCISCO MARCH 13 (HART HAD JUST RETURNED FROM MIDDLE EAST). HART PROVIDED FOLLOWING BRIEFING ON STATUS OF SUMED NEGOTIATIONS.

2. FOLLOWING MARCH 2 SUMED COMPANY BOARD MEETING, KUWAITI REPRESENTATIVE FAWZI AL-SALEH, MAKING IT CLEAR HE WAS SPEAKING FOR SUMED BOARD, INFORMED BECHTEL THAT COMPANY WOULD BE INTERESTED IN PURSUING CONTRACT WITH BECHTEL ON ESSENTIALLY COST PLUS BASIS. THIS WAS BASICALLY OPTION(A) OF TWO OPTIONS DESCRIBED CAIRO 1023. BECHTEL WOULD BE GIVEN A SET FEE FOR DESIGN AND MANAGEMENT OF PROJECT. BECHTEL WOULD DO BEST TO KEEP COSTS DOWN FOR BOARD, BLT ALL
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UNDERTAKINGS WOULD BE ON SUMED COMPANY ACCOUNT, AND BECHTEL

WOULD BE RELIEVED OF ANY RISK TAKING.

3. BECHTEL RECENTLY SENT A THREE-MAN TEAM TO CAIRO TO WORK ON MECHANICS OF TRANSFERRING ACCOUNTS WITH SUBCONTRACTORS TO PIPELINE COMPANY. IN THE MEANTIME SAN FRANCISCO OFFICE IS DRAFTING NEW CONTRACT ON MANAGEMENT FEE BASIS DESCRIBED ABOVE. BECHTEL PLANS SEND ITS REPRESENTATIVES TO CAIRO

ABOUT 26 MARCH BY WHICH TIME THEY HOPE TO HAVE NEW CONTRACT READY FOR SIGNATURE WITH SUMED COMPANY.

COMMENT: FROM CONVERSATION WITH HART, WE GATHER BECHTEL IS HAPPY TO HAVE FOUND WAY OUT OF ORIGINAL CONTRACT WHICH WOULD HAVE ENTAILED FINANCIAL RISK TO BECHTEL FOR OVERALL COST OF PROJECT. HART ACKNOWLEDGED THAT UNDER NEW ARRANGEMENT OPPORTUNITIES MIGHT BE INCREASED FOR BYZANTINE DEALINGS AND WRANGLING AMONG BOARD MEMBERS. HOWEVER, IF BOARD ITSELF IS NOW WILLING TO CONCLUDE CONTRACT ON THIS BASIS, AND THIS IS ALSO BECHTEL'S PREFERENCE, WE DO NOT SEE MUCH GROUNDS FOR USG INTERVENTION TO ALTER OUTCOME. KISSINGER

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